



Director of
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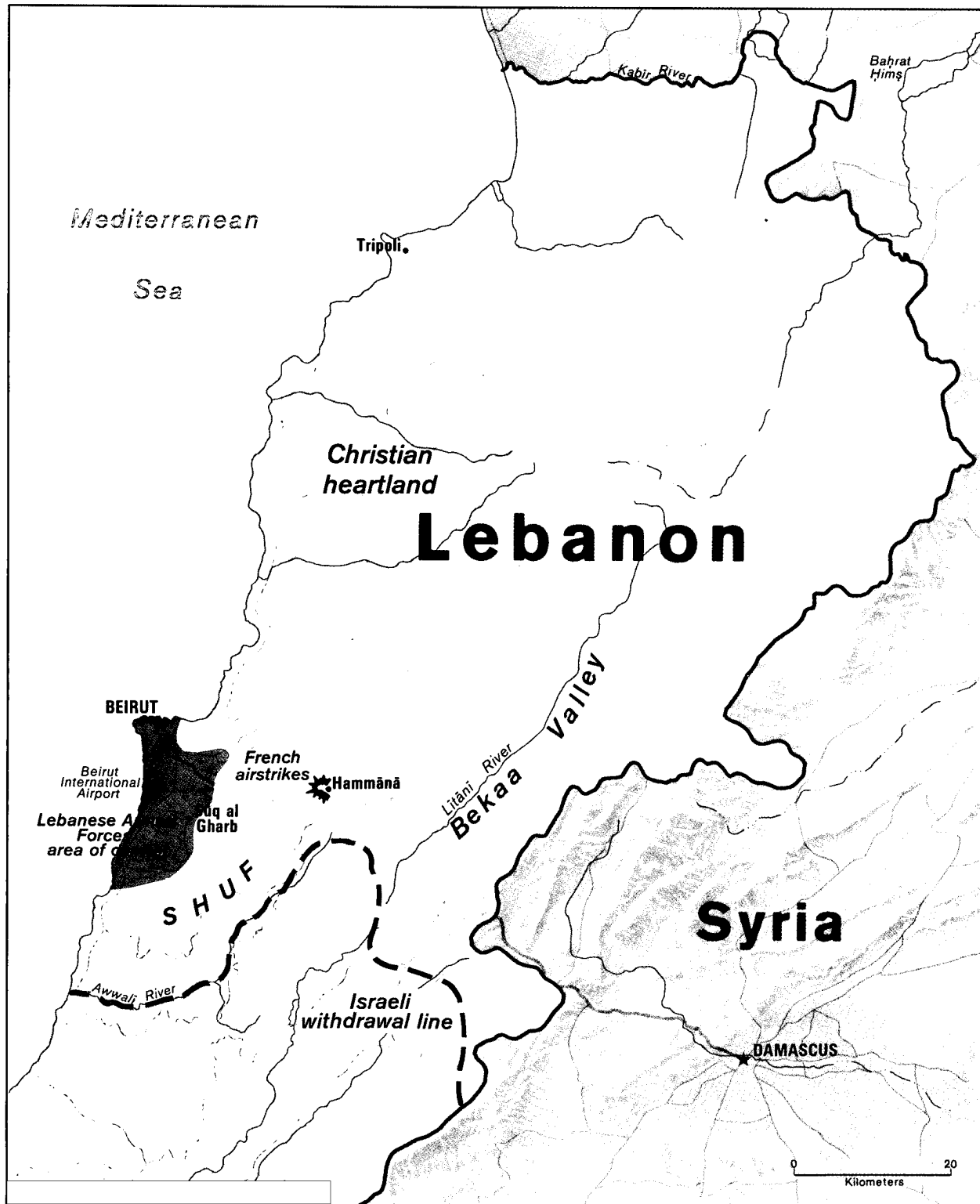
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LEBANON: Army Holding at Suq al Gharb

Army forces at Suq al Gharb evidently are confident that they can withstand additional Druze and Palestinian attacks. [redacted]

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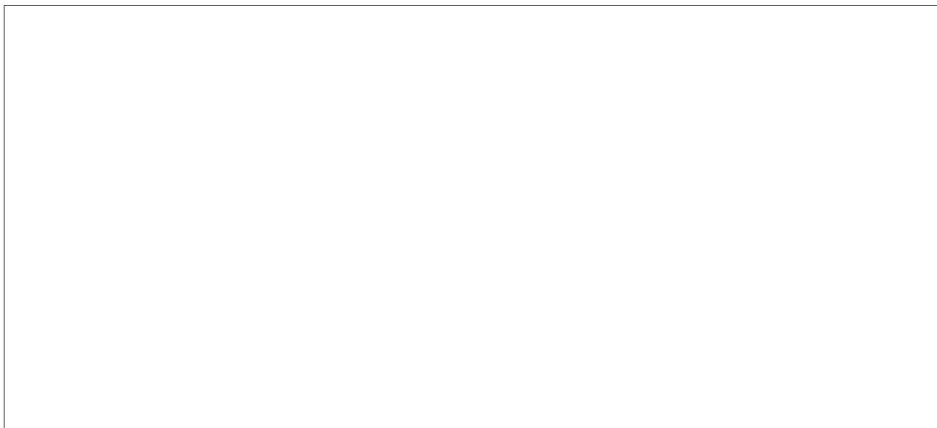
A US military officer who visited Suq al Gharb on Tuesday reported that the morale of Army troops there was high and that the Army will be able to hold its positions for the near future. Limited reinforcements have arrived from Beirut, and the US defense attache reports more will be coming from the northern port city of Tripoli.

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The British have agreed to basing Italian F-104 jet fighters at their base at Akrotiri, Cyprus, for the defense of Italian troops in Beirut. The airstrike yesterday by French fighter-bombers against artillery batteries near Hammana was the first reaction by the French military to attacks on its positions in Beirut.

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Comment: Lebanese Army commander Tannous probably has been exaggerating the Army's weakness, partly to encourage a greater US commitment. He also may be trying to push the government into negotiating seriously for a cease-fire agreement. The arrival of reinforcements, however, may strengthen the government's opposition to cease-fire terms it finds unpalatable.

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Paris had warned Syria at least twice that France would respond to further attacks on its soldiers in Beirut.

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The Syrians probably are willing to accept Christian dominance of the government in Beirut, provided it reaches an accommodation with Damascus and with Lebanese Muslims. President Assad, however, will not accept close ties between Beirut and Tel Aviv.

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PHILIPPINES: Marcos Draws the Line

President Marcos's threat to reimpose martial law is a signal that he will not tolerate any additional violent political protests. [REDACTED]

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No new disturbances have been reported in Manila since sporadic violence throughout the city on Wednesday. Sources of the US Embassy report that government food distribution centers in Manila administered by Imelda Marcos were looted after the rioting near the presidential palace. According to the Embassy, demonstrations elsewhere in the country on Wednesday were unusually large but generally peaceful. [REDACTED]

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Marcos, in a televised speech yesterday, blamed radical groups for the violence. Police engaged in crowd control are now being ordered to carry firearms—a departure from the “maximum restraint” policy in effect since the assassination of Benigno Aquino. Meanwhile, Prime Minister Virata has told senior US officials in Washington that the ruling party would allow liberal accreditation of opposition parties for the elections next May. [REDACTED]

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Comment: With no obvious flashpoints and no opposition plans for large demonstrations in the offing in the next several days, Marcos almost certainly is calculating that tougher crowd control measures run an acceptable risk. In addition, he probably believes the ruling party's plans for more liberal election procedures will help restore calm as President Reagan's trip approaches. [REDACTED]

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Moderate opposition groups, who condemned the violence on Wednesday, will now have to consider whether to test Marcos or count on other possible developments, such as the emergence of new evidence of government complicity in the assassination, to regain the initiative. They remain poorly organized, however, and more large-scale demonstrations are unlikely in the next few days. [REDACTED]

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President Mauno Koivisto



Age 59 . . . first President from
Social Democratic Party . . .
Finland's most popular politician . . .
humble origins and simple style of
living contribute to his popularity . . .
favorably disposed toward the US . . .
projects an easygoing image but is
sharp-minded, complex, and
introspective . . . speaks English.

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FINLAND-US: President Koivisto's Visit

Finnish President Koivisto, who will meet with President Reagan on Tuesday, probably will express concern that INF deployment could complicate Finland's relations with the USSR. [REDACTED]

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The US Embassy reports that, in addition to the INF and START negotiations, Koivisto wants to discuss the Middle East, Central America, and CSCE. He also would like to present his views on the security situation in Northern Europe, but he does not want to focus the discussion on the concept of a Nordic Nuclear-Weapons-Free Zone. [REDACTED]

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Comment: The Finns believe their foreign policy relations with the Soviets have been quite successful in recent years. Koivisto presumably is concerned that, if INF missiles are deployed in Western Europe, Finland's abilities to resist pressure from the USSR might be weakened. [REDACTED]

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In 1979 the Soviets openly hinted that the possibility of cruise missiles overflying Finland en route to the USSR could be interpreted as a threat from Western Europe. They suggested that this could bring into play the Finnish-Soviet Mutual Assistance Treaty of 1948. [REDACTED]

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Koivisto, in discussing the Finnish aviation union's decision not to participate in a moratorium on flights to the USSR, is likely to explain that this was an action taken by the private sector. In keeping with Finland's determination to avoid entanglement in superpower conflicts, Koivisto probably will emphasize Helsinki's position that it would only consider sanctions that were approved by the UN Security Council. [REDACTED]

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SOUTH AMERICA: Pressures on Principal Debtors

Growing domestic problems and the hardening positions of foreign creditors will make it increasingly difficult for Argentina, Brazil, and Venezuela to work out new refinancing packages. []

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The US Embassy in Buenos Aires reports that Argentina cannot maintain compliance with the IMF program beyond this month and that it will require several IMF waivers. The government is being squeezed by aggressive labor demands on the lameduck administration of President Bignone that threaten the financial program. Annual inflation is expected to be nearly double the original IMF target of 160 percent. []

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In Brazil, increasing public and political disgruntlement has jeopardized congressional passage of a proposed new salary law that is the centerpiece of the IMF stabilization program. The US Embassy calculates chances for approval of the law are no better than 50-50, because both the opposition and a faction of the government party are against the austerity package. Foreign creditors have stressed that, without passage of the law, further financial support will continue to be withheld. []

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The Venezuelan Government, which faces an election this year, is holding to its rejection of any IMF program. It also is falling behind in making debt interest repayments. Foreign banks are threatening formal default mechanisms, however, if President Herrera's administration does not show greater flexibility at meetings later this month. []

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Comment: Over the next six months all three governments will face domestic pressures to increase economic growth by any means. This will make large public-sector deficits and consequent inflationary pressures especially difficult to avoid. Negotiations for new debt refinancing packages would then become extremely difficult, and formal default caused by an unraveling of the programs will remain a continuing risk. []

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NICARAGUA: Considering Early Elections

The Sandinistas apparently are discussing advancing elections to 1984, but the idea faces serious obstacles. [REDACTED]

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Council of State President Carlos Nunez recently told visiting US Congressmen that the Sandinistas would be willing to accept election observers from the UN and international human rights groups. [REDACTED]

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Comment: Although a decision to hold elections next year is not certain, Managua clearly is under considerable pressure to do so. This question apparently was debated before the anniversary celebration on 19 July but was rejected at that time. The Sandinistas have made only slow progress toward drafting an electoral law. [REDACTED]

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Those supporting the proposal will emphasize the positive effect an election announcement would have on Nicaragua's regional and West European supporters. Nevertheless, the dominant considerations probably continue to be the uncertainties about the future of the insurgency and the desire to avoid the impression of weakness by yielding to foreign pressure. [REDACTED]

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The Sandinistas have resisted attempts to discuss elections at the Contadora talks. Moreover, they have not yet said publicly that they will invite international observers. [REDACTED]

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GAMMA Item

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USSR-CHINA: Status of Foreign Ministers' Meeting

Moscow is anxious to arrange another venue for the meeting between Foreign Minister Gromyko and Chinese Foreign Minister Wu that was to have taken place at the UN this month. [REDACTED]

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[REDACTED] the meeting was to have focused on setting an agenda for the third round of political consultations that are to be held in Beijing in October. The Chinese have rejected a Soviet proposal that Wu fly to the UN session via Europe and meet Gromyko in either Romania or Yugoslavia. [REDACTED]

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Comment: This particular meeting would be the first at the foreign minister level in 20 years. Its cancellation would be one of the most negative consequences for Moscow of its decision that Gromyko not attend the UN session. Both sides had hoped to use the meeting to balance recent and planned high-level Sino-US exchanges, however, and they may yet agree on a neutral meeting site. [REDACTED]

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USSR-SOUTH KOREA: Soviets Pull Out of IPU Meeting

The USSR informed the Inter-Parliamentary Union on Saturday that it will not attend its meeting next month in Seoul, according to South Korean officials. [REDACTED]

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Comment: Moscow's attendance would have marked the first time an official Communist delegation attended a major international gathering in Seoul. Before the shutdown the Soviets appeared ready to participate despite P'yongyang's objections. Moscow may now try to improve relations with North Korea, which has been unhappy over the gradually increasing contacts between Moscow and Seoul. North Korea will be pleased that most Communist states are boycotting the conference. The attendance of delegates from at least 61 countries indicates, however, that P'yongyang's intense lobbying efforts to undermine the conference have been largely unsuccessful. [REDACTED]

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USSR: Andropov's Whereabouts

General Secretary Andropov has been out of public view since 18 August—the longest such absence since he became party leader.

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[redacted] Last week, the chief editor of *Pravda* told a British interviewer that Andropov had been “on holiday,” but that he returned to Moscow after the Korean airliner was shot down on 31 August. The editor said Andropov was then “very busy” in the capital “for a few days.” [redacted]

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Comment: Andropov probably was in Moscow until the last week of August, when a Politburo meeting discussed his conversation with visiting US Senators, and then began a vacation that was interrupted by the airliner crisis. [redacted]

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[redacted] Andropov's absence, however, may also be intended to put some distance between himself and the shootdown incident. [redacted]

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USSR: Article by Military Chief

Chief of the Soviet General Staff Ogarkov, in a lengthy article published yesterday in *Izvestiya*, reiterated Soviet threats to counter INF deployments in Europe, which he said are a key part of US plans to launch a first nuclear strike on the USSR. He also compared alleged US efforts to heighten international tensions in recent years with the actions of the Nazis in the 1930s and offered the “provocation” of the downed South Korean airliner as “a graphic illustration.” Ogarkov concluded with assurances that the armed forces are filling their defensive tasks and that they will continue to be loyal to the people, the party, and the government. [redacted]

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Comment: Although the article purports to deal with the US position at the Geneva talks and with US plans to deploy INF missiles, it adds nothing new to earlier Soviet pronouncements on these issues. It evidently is designed in part to justify the shootdown by reminding the domestic audience of the harsh lessons learned about the need for military vigilance as a result of the Nazi invasion. In emphasizing the strict subordination of armed forces to the party leadership, Ogarkov also may be seeking to counter speculation in the Western press that the Soviet military acted on its own in the airliner incident and that there is a rift between civilian and military leaders over the handling of the crisis. [redacted]

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IRAQ: Secret Negotiations With Kurds

The US Interests Section in Baghdad reports that an Iranian Kurdish rebel leader is in Baghdad trying to arrange a deal between Iraqi President Saddam Husayn and Jela Talabani, leader of the second-largest Iraqi Kurdish rebel group. Talabani is offering to back Iraq against Iran, if Baghdad will guarantee his dominant position in the southern area of Iraqi Kurdistan. He heads the Patriotic Union of Kurdistan, which has some 3,000 guerrillas. [redacted]

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Comment: Saddam and Talabani mistrust each other, but have made deals in the past. Talabani's support could be crucial to Baghdad's efforts to frustrate Iranian attempts to move farther into Iraqi Kurdistan. The Kurdish Democratic Party, the largest Iraqi Kurdish faction and Talabani's main rival for influence among Iraqi Kurds, is cooperating with Iran. [redacted]

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IRAN-IRAQ: Partial Stoppage of Oilspill

The US Embassy in Bahrain reports that the capped well in the Iranian offshore Nowruz oilfield is the one struck by a tanker nearly two years ago, and which began leaking early this year. The two oil platforms destroyed by Iraqi air attacks in March are still burning and leaking oil. Iranian discussions with US experts concerning the capping of those wells are scheduled for this weekend in the United Arab Emirates. [redacted]

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Comment: The Iranians cannot cap the burning wells themselves, and they probably will need the on-site assistance of US specialists to complete this dangerous and complex task. If an agreement is reached, completion of the capping operation would take at least a month following the project team's arrival at the burning wells. Well-capping operations involving US personnel, however, require Baghdad's assurances that it would not attack the repair team. Baghdad is unlikely to give such a guarantee. [redacted]

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COSTA RICA-NICARAGUA: Sandinista Soldiers Captured

Costa Rican security forces are detaining 11 Nicaraguan soldiers captured last week near the northeast coast. Authorities in San Jose have rejected Nicaraguan Foreign Minister D'Escoto's official explanation that the soldiers were in Costa Rica accidentally. They noted that the troops were 30 kilometers inside the country at the time of their capture and that they had excellent maps. Public Security Minister Solano recently asserted that his forces are acting in the same firm manner as they had two weeks earlier, when they apprehended a group of anti-Sandinistas in the same area. [redacted]

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Comment: Costa Rica probably wants to demonstrate that, by acting against both Sandinista and anti-Sandinista forces, it is enforcing its neutrality in a balanced way. This will be difficult, however, because relations with Managua already are strained by Nicaraguan charges that anti-Sandinista air attacks have originated in Costa Rica and by the arrest last week of a Basque terrorist who reportedly entered the country via Managua. [redacted]

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PORTUGAL: Labor Unrest Ahead

A battle over labor reform is brewing between the Soares government and the Communist-dominated trade union federation. The Minister of Industry reportedly has told the press that the shipbuilding and metal industries will be the initial targets of efforts to reform the country's public enterprises. The government, in keeping with its generally austere economic program, intends to get a grip on the public firms by limiting salary increases, setting realistic pricing policies, reducing financial aid and investment, and permitting the shakiest enterprises to dismiss some workers. The Communists have made clear their intention to try to bring the government down over the reform issue. [redacted]

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Comment: Labor agitation could begin almost any day. The democratic trade union confederation is unlikely to support Communist calls for a general strike, because few of the confederation's affiliates predominate in the industries slated for reform. The government probably can prevent the strikes from erupting into serious civil disturbances. [redacted]

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Special Analysis

UK-US: Prime Minister Thatcher's Visit

Prime Minister Thatcher, who arrives in Washington next Wednesday, will use the visit to launch the fall political season in the UK and her second term. Thatcher believes her reputation as a forceful leader, combined with her landslide reelection in June, has given the UK greater prestige than in decades. As a result, she will want to reinforce London's role as Washington's most dependable ally. At the same time, Thatcher is concerned that economic problems will hinder the UK's ability to carry out an energetic foreign policy and lead to nagging differences with the US.

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Thatcher has characterized her reelection as a mandate for an activist foreign policy and for an even closer partnership with the US. She has tried to carry through her views by working to strengthen the resolve of INF basing countries, defending the US presence in the UK, and cooperating with US initiatives in the Middle East.

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London's more confident approach in international affairs, however, is again running afoul of domestic economic problems that Thatcher will seek US help in resolving. The economic revival, which helped her win reelection and promised to ease budgetary pressures and permit tax cuts, appears to be running out of steam.

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Chancellor of the Exchequer Lawson and Defense Secretary Heseltine are engaged in an acrimonious and at times public dispute over Lawson's insistence that defense increases be trimmed back. Thatcher's efforts to combine an assertive foreign policy with increased defense spending also are tempered by pressure from moderate Tories against further reductions in social spending.

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Such pressure is amplified by the presence of a large number of new Tory MPs. Although they often express rightwing views, they also represent constituencies, normally held by the Labor Party, where unemployment is high.

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The Prime Minister will have a difficult time adjudicating budget disputes among her colleagues and will look to the US for help. She probably hopes to use her strong support for US foreign policy initiatives to induce Washington to accommodate London's concerns on East-West trade, unitary taxation by several American states, purchases of British defense equipment, and budget deficits and interest rates.

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Firm Action and Conciliatory Tone

In both foreign and domestic matters, Thatcher recently has combined tough talk with conciliatory gestures. While reaffirming the correctness of her basic economic policy, she has indicated that large cuts in unemployment benefits are not in the offing and is putting together a program to help unemployed young people. Moreover, current disarray among British trade unions has put the Prime Minister in a strong position, and she has offered to consult union leaders about government policy.

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Such gestures probably pay political dividends by showing that the Prime Minister, while continuing to exert strong leadership, is interested in promoting national unity. Her efforts also presumably are designed to undercut moderate Tory support for the Social Democratic-Liberal Alliance, which Thatcher regards as the major threat to the Conservatives.

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The British leader will urge that the US combine a tough line of arms negotiations with gestures showing a willingness to continue talking with Moscow after initial INF deployments in December. She also will point out the danger of seeming to be confronting the entire Muslim world by taking too strong a stand in Lebanon.

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A Confident Leader

Thatcher's fervent patriotism, strong anti-Communism, and Victorian values of hard work and discipline have only been strengthened by her reelection. She is willing to compromise in the interest of political reality, but continues to be committed to moving the UK in a rightward direction that necessitates a break with the postwar welfare state consensus.

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The Prime Minister sees the US administration as sharing these goals, and she expects to continue a close partnership. At the same time, her own abundant self-confidence and her seniority in the Western Alliance make her quick to criticize even close Allies when she believes their actions challenge the UK's interest.

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